



Fondazione Eni Enrico Mattei

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Report on the COP 6, Part I

13 - 25 November 2000

The Hague, The Netherlands

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# **What Really Happened in The Hague?**

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by

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## *Abstract*

This paper investigates the occurrences at the Sixth Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) which took place in The Hague, The Netherlands, from the 13<sup>th</sup> to 25<sup>th</sup> November of 2000. Since the conference did not reach an agreement there exists a broad interest in knowing what really happened during the negotiations. The aim of the analysis is to give greater insight to reasons of the climate talks' failure and to progress made during the negotiations. Following the discussions of the issues surrounding the talks in The Hague, the paper will also look forward as to possible solutions and ideas for an eventual agreement.

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***Non technical abstract***

This paper investigates the occurrences at the Sixth Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) which took place in The Hague, The Netherlands, from the 13<sup>th</sup> to 25<sup>th</sup> November of 2000. After examining the key issues of the Kyoto Protocol, an overview of the negotiations in The Hague is offered, initially focusing on the official reports. A further investigation is made regarding potential explanations for the failed climate talks and reports of progress achieved despite the breakdown. Therefore we attempt to offer greater insight to reasons of the climate talks failure. Finally, an outline on the future of international climate policy is made by raising possible strategies and solutions for an eventual agreement.

## **1. Introduction**

The Sixth Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) has been considered as the most important negotiation on global climate change since the Kyoto Protocol (KP) was agreed to in 1997. The KP sets binding emissions reduction targets for industrialised countries and requires that by the year 2005 “demonstrable progress” must be made<sup>1</sup>. By 2012 the worldwide greenhouse gas emissions should decline to an average 5,2% below their 1990 levels. In the Kyoto Protocol the targets, methods and timetables for global action against climate change were set however specific rules were missing. This is one of the reasons why the Protocol has not yet entered into force: many countries signed the Protocol, but only very few ratified it<sup>2</sup>. The majority are still waiting to ratify the agreement until the missing details have been negotiated. A precondition for the Protocol to become enforced is that at least 55 Parties to the Convention, representing at the same time at least 55% of 1990 carbon dioxide emissions of Annex I Parties, must have ratified the treaty. The COP 6 was intended to determine specific rules and operational details that describe how the commitments on reducing emissions of greenhouse gases under the 1997 Kyoto Protocol can be achieved and in which way the countries’ mitigation efforts will be measured. Hence the talks were primarily supposed to clarify the details of the often vague language of the KP before its final implementation and ratification. A further aim was to reach agreement on actions to strengthen implementation on the UNFCCC itself.

Notwithstanding the high expectations that were set in the COP 6, the conference ended without an agreement. Many reasons and circumstances were responsible for the failure, almost all participants or observers to the conference offered a new explanation for its breakdown. As a result there is a broad interest in knowing what really happened during the climate talks. Even after a comprehensive analysis of the COP 6 the actual events are still difficult to completely define through this paper will lend some suggestions.

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<sup>1</sup> The developing countries, including the large economies of India and China, were exempted from binding reduction targets in the first commitment period since their per capita emissions are much lower than the industrialised countries’ emissions.

<sup>2</sup> The ratification status of the Kyoto Protocol as of February 5<sup>th</sup>, 2001: 84 countries signed the Kyoto Protocol (and accepted it in this way officially), but only 32 countries (mainly small island states) ratified it.

## **2. Background: Key issues of the Kyoto Protocol**

### **2.1 Mechanisms:**

The Kyoto Protocol established three mechanisms that are meant to assist countries in meeting their emission targets in a flexible, cost-effective way: an emission trading system, joint implementation (JI) of GHG mitigation projects and a Clean Development Mechanism (CDM) to set incentives for joint projects between Annex I and Non-Annex I Parties.

At the COP 6 operational details governing the use of the mechanisms had to be ruled out and a compromise between the countries' differing views should have been found. Key issues in this context included:

- Institutions: The roles and responsibilities of various institutions should have been determined
- The “hot air” issue: A decision was required in the “hot air” debate currently going on in the context of emission trading, i.e. the concern that countries in transition will sell large amounts of emission credits due to emission reductions acquired because of the economic recession in the early 1990s
- The “carbon sink” issue: A particularly controversial issue concerned carbon “sink” projects (i.e. reforestation). Agreement should have been found whether to advocate only projects that really reduce emissions, or whether to allow other projects (like reforestation) that remove existing or future carbon from the atmosphere
- The “ceiling” issue: Another highly controversial issue was whether or not there should be a limit in form of a ceiling on the quantity of emissions reductions that can be met through the use of the mechanisms
- The “baseline” issue: The baselines for measuring the emissions-reduction contribution of the specific projects should have been set
- The “accounting” issue: Accounting rules for allocating credits should have been specified
- The “eligibility” issue: The definition of criteria for the eligibility of projects (JI, CDM) were needed

Further questions to be addressed included whether a share of proceeds should be established under JI and emission trading, and how closely procedures for JI should mirror those for CDM activities.

## **2.2 Carbon sinks:**

Forestry and land use have the potential of sequestering atmospheric carbon. For this reason the Kyoto Protocol vaguely promised to provide emission reduction credits for some forestry activities. The question that should have been addressed was how much credit countries could get for their forestry and land use activities and consequently in which dimension these activities could lessen the reduction pressure. The problem is that plants and soils can act as carbon sinks, but there is no scientific certainty about how much carbon is being removed from the atmosphere. Therefore the use of carbon sinks in meeting emission targets is not only controversial but also complex. Questions concerning the carbon sinks regarded the following issues:

- What are carbon sinks?  
An accurate definition of “sink” was required
- What are the results of the use of carbon sinks?  
Clarity on the quantitative changes that result from climate policies and on the differing permanence of carbon storage was needed
- How to measure carbon sinks?  
Decisions were needed on the accounting systems that set the baselines and measure the carbon changes
- How much credit for carbon sinks is allowed?  
Clarity on the amount of credits countries could get for their forestry and land use activities was required

## **2.3 Compliance:**

The Kyoto Protocol identified a compliance system as a key element of the agreement. This system should be able to determine whether countries have met their commitments under the Protocol at the end of the commitment period and the eventual consequences of non-compliance. The aim should be a compliance system that sets incentives for the positive

performance of the participants. Decisions should have been made regarding the following issues:

- Enforcement: The way the parties collectively enforce the obligations of the countries had to be specified
- Organisational details: Agreement was necessary on organisational details concerning the compliance body and specific (enforcement) rules of the compliance system
- Monitoring and verification: To achieve an effective implementation of the Kyoto mechanisms it was furthermore necessary to establish emission monitoring and tracking systems that were internationally harmonised as well as to ensure transparent reporting
- Project baselines: In the case of JI and CDM there was need for credible methods that determine emission baselines
- Non-compliance: The consequences of non-compliance (penalty, liability) needed clarification

Adequate attention had to be given to concerns that parties which did not meet their obligations at the end of the first commitment period would no longer have the option to do so through domestic actions. To avoid non-compliance these parties with excess emissions would have to attempt to purchase surplus credits from the other countries through flexibility mechanisms. However, there is no way of knowing whether these mechanisms would enable enough credits at the end of the commitment period to satisfy the parties' needs. With a lack of credits on the market, parties which are not yet in compliance would have problems acquiring credits or could do so only at a very high price. As a consequence these countries probably would remain in non-compliance.

#### **2.4 Developing country issues:**

Developing countries, including the large economies of India and China, were exempted from binding reduction targets in the first commitment period since their per capita emissions are much lower than the industrialised countries' emissions. Furthermore, industrialised countries bear the main responsibility for the prevailing concentration of greenhouse gases. A very important task of the COP 6 was to strengthen developing countries' capacity to cope with their efforts to combat climate change. Key issues included capacity building and transfer of technology, particularly in relation to financial and technical assistance from Annex I parties.

## **2.5 Adverse effects:**

Developing countries are suffering adverse effects both from climate change itself and of the impact of response measures undertaken to combat climate change. Under the UNFCCC, parties already agreed to address the needs and concerns arising from these adverse effects. A special role plays assistance to LDCs, small island states, countries with low-lying coastal areas and other vulnerable countries. At the COP 6 characteristics of this assistance and particularly the question of compensation should have been discussed.

### **3. *The official report***

The negotiations took place between the United States supported by Canada, Australia, Japan and New Zealand (the “Umbrella Group”), the European Union guided by France (which had the presidency of the EU) and the G77 group of developing countries, often joined in its position by China and the Alliance of Small Island States (AOSIS).

The first week of negotiations was devoted to meetings of informal contact groups and other negotiating groups mandated by the UNFCCC subsidiary bodies. During these meetings several issues related to the Protocol and the UNFCCC were discussed with the goal of reducing the differences prevailing in the text for the decisions. The discussions regarded the following issues:

- Transfer of technology and capacity building to assist developing countries and economies in transition
- The adverse effects of climate change and the impact of implementation of response measures
- Best practices in domestic policies and measures to address greenhouse gas emissions
- The mechanisms outlined under the Protocol
- A compliance system for the Protocol
- Issues relating to the land use, land-use change and forestry (LULUCF) sector

Progress was made with respect to the definition of the mechanisms and the completion of other text parts. Yet already at the end of the first week frustration was expressed due to the slow progress and the amount of remaining political and technical issues for negotiation.



The resumed second part of the thirteenth sessions of the subsidiary bodies (SB-13), which had begun in September in Lyon, France, reconvened from 13<sup>th</sup> to 18<sup>th</sup> November, 2000. Its aim was to prepare the text for a comprehensive agreement. Agreement could be reached on several issues regarding the CDM:

- The “prompt start” of CDM
- The features of its institutional structure
- The need for regional balance

However, if the subsidiary bodies adopted a number of draft conclusions that contained text for decisions by COP 6, they did not manage to achieve complete agreement on various key issues. Actually there remained a lot of differences on many crucial issues in much of the text prepared by the SB-13.

At the beginning of the second week COP 6 negotiations on the specific text were abandoned because President Pronk identified four “clusters” or “boxes” of key political issues with the aim of facilitating progress on many disputed political and technical issues. During the second week delegates met for informal high-level plenary meetings and in smaller, negotiating groups to discuss issues in the framework of the four “clusters”, including:

1. Capacity building, technology transfer, adverse effects and guidance to the Global Environmental Facility (GEF)
2. The mechanisms
3. Land use, land-use change and forestry (LULUCF)
4. Compliance, policies and measures, and accounting, reporting and review under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information)

By Thursday, 23<sup>rd</sup> November 2000, there was still no consensus reached on the core issues within the clusters and the negotiations appeared stalled. In an attempt to progress the negotiations President Pronk distributed a note containing his proposals on key issues. Further intense talks on these proposals did not achieve a breakthrough and so the final effort to seek a consensus concluded without agreement. The final negotiations ended Saturday, 25<sup>th</sup>

November 2000, shortly after 6:00 p.m., due to the inability to reach agreement on some of the key outstanding issues. Differences have been reported especially on:

- LULUCF (sinks)
- complementarity
- compliance and financing mechanisms

The formal Plenary decided to suspend COP 6 and talks will continue in 2001.

#### **4. Behind the scenes**

From the beginning of the conference it was obvious that the negotiations had an enormous task of finding common ground on the emission reduction options for all the various countries. Nevertheless the breakdown of the climate talks created disappointment within the participants and observers. The failure of the COP 6 is mainly the result of four key concerns for which compromises could not be reached between the participating negotiators:

- Carbon sinks (LULUCF)
- The mechanisms
- The nature of the compliance regime
- Financing

This paper, while describing these issues, will closely examine positions of the various participants for greater insight to the events surrounding the conference's failure.

##### **4.1 Key issues**

###### **Carbon sinks ("LULUCF")**

The main differences and therefore subsequent discussions at the COP 6 have been about the two crucial questions within the field of LULUCF: the inclusion of additional activities under Protocol Articles 3.3 and 3.4 (soils as carbon sinks) within the first commitment period and the question whether to allow sinks in the CDM.

Many parties of the "Umbrella Group" (United States, Canada, Australia, New Zealand and Japan) considered the first condition as a precondition for the ratification of the Protocol, whereas the EU and G77/China took a rather cautious position. The EU feared that countries

might measure the carbon absorbed by sinks against all their greenhouse gas emissions, thus avoiding actual reductions. In particular the EU wanted to forbid the introduction of soils as carbon sinks and demanded an overall limitation of credits for carbon soils.

Regarding the second question, the Umbrella Group, the EU as well as different members of the G77/China group disagreed fundamentally. According to the EU view the possibility of using sinks within the CDM should have been completely prevented in the first commitment period. The U.S. position (backed by the other members of the Umbrella Group) on both questions has been characterised by an extensive demand for credits for their carbon sinks in the forms of forestry, agricultural and grazing land. In the beginning they strictly rejected any kind of limitation.

During the negotiations the internal problems of the EU became evident<sup>3</sup>. Finland (in part also Sweden) started to separate from the common EU position regarding sinks, because they are considering enormous deforestations for the construction of infrastructure and other productive activities. From the EU point of view, this action would have been penalised, whereas the Umbrella Group's position would have favoured the activities. After the problems arose from Finland's concerns Norway tried to propose a compromise which has not been agreed to because it would have heavily changed the initial EU position. Hence Finland's demands have not yet been taken into account and the overall EU position did not change significantly. One reason for this was the initial strategy of the Umbrella Group which focused on the inclusion of carbon sinks. According to the EU this strategy put the emission targets themselves at stake, because the demanded credit for carbon sinks ranged between 1/3 to 1/2 of the target (i.e. a cut of 1-2% of the target). The U.S. negotiators apparently softened their position in the final hours of the climate talks. Starting from their initial call for a 310 million ton annual carbon sink credit they lowered their proposal first to 125 million tons, then to 78 million tons; ultimately they even agreed to a European counteroffer of 55 million tons, submitted by the UK Deputy Prime Minister John Prescott. The EU governments could not find a common answer, in particular because of negative attitudes from the four Nordic ministers towards the carbon sinks.<sup>4</sup>

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<sup>3</sup> For a more detailed explanation see section 4.2.

<sup>4</sup> For a more detailed explanation see section 4.2.

The internal EU differences seem to be responsible for the failure of Prescott's last-minute deal which made many concessions to the Umbrella Group and therefore was no longer acceptable to other EU members. President Pronk's note in this area was considered with caution because many negotiators recognised the Umbrella Group's positions on various issues within his proposal. In particular, his proposal would have allowed the achievement of Kyoto's overall target of -5.2% in another way not foreseen by the EU since it put less emphasis on domestic measures and focused more on flexibility.

Thus, the issues regarding LULUCF still need further consideration and require more negotiation in order to reach a compromise at the next meeting. In particular the co-ordination within the EU member states has to improve and internal EU compromise must be made. This is especially important because following The Hague, the Swedish forestry sector backed the U.S. strategy on sinks as a valid approach to combat climate change. The deputy director at the Swedish forestry organisation Skogsindustrierna, Jan Remrod, expressed hope that the discussions at COP 6 raised awareness concerning the integration of the "forest aspect as a partial solution" (Reuters, Jan. 11<sup>th</sup>, 2001). Nevertheless, the next round of negotiations have a better chance to reach an agreement on this issue since the scientific background on this topic is still not clear. Therefore the possibility that the work proceeds in direction of a possible political deal is bigger than i.e. on issues that have to cope with ideological questions (i.e. Third World).

### **Mechanisms ("supplementarity"):**

The second significant impediment to progress during the meeting was the definition of operating rules and procedures on the mechanisms. Agreement could not be achieved with regard to:

- Supplementarity
- CDM project eligibility
- The specific modalities and rules for the emission trading system

The Umbrella Group supported widespread use of flexible mechanisms across a broad range of issues to enable cost-effective fulfilment of the Kyoto commitments. To reach this target,

the Umbrella Group insisted on simple procedures and free trade of emission reduction credits without any kind of limitation or consideration of “hot air”<sup>5</sup>.

These rules have been opposed as being “too vague” from many other negotiators due to the concern that “loopholes” against the domestic attainment of originally agreed targets could be created which would jeopardise the environmental integrity of the Kyoto Protocol. In particular the EU urged to impose a quantitative limit (“ceiling”) of at least 50% on the use of the flexible mechanisms forcing countries to undertake domestic abatement measures and to limit the possibility of free-riding (in the sense of not attaining any real emission reductions). Furthermore the EU drew attention to the adoption of a “positive list” of largely energy-related projects for the CDM.<sup>6</sup>

The G-77/China group focused on the optimisation of the CDM’s benefits and emphasised the need for financial and environmental additionality. Besides it tried to impose a share of proceeds on all three Protocol mechanisms.

During the final negotiations the EU appeared willing to make progress in the direction of a compromise. It expressed flexibility on several issues, including complementarity and share of proceeds. In particular its emphasis on a “quantitative” limit on the mechanisms seemed to relax in favour of a “qualitative” limit. In addition, one Umbrella Group member supported a softer position on complementarity in return for more flexibility in the field of LULUCF. Yet in the end Pronk’s proposal that Annex I parties attain their emission commitments “primarily through domestic action” was not sufficient for the EU.

### **Compliance:**

While almost all parties expressed their support for a “strong” compliance system –meaning a strong system of verification, control and sanctions – many differences between the parties’ opinions emerged as soon as the specific legal and technical terms were discussed. Divergent positions were revealed on the following issues:

- Differentiating treatment of compliance for Annex I and non-Annex I parties
- Enforcement consequences (in the case of non-compliance)

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<sup>5</sup> This also means the inclusion of sinks and nuclear energy.

<sup>6</sup> During the negotiations France started to separate from the common EU position regarding the inclusion of nuclear energy in CDM.

- Method of adopting a compliance regime
- Composition of the compliance bodies
- The compliance regime

Regarding the compliance regime, an international authority would be needed to achieve a truly effective position. However, for this purpose there would emerge a supranational authorisation which would consequently violate national sovereignty. Since this prospect creates discomfort among some countries, also important question concerning the formation of an international authority is still open.

Initially the positions between the participants were widely diverging. The EU argued for a harsher line than the other participants and insisted on strong financial sanctions in the case of non-compliance even though the U.S. requested penalty rates that were not even one-third of the European proposal.<sup>7</sup> The G77/China group emphasised the differentiated treatment of Annex 1 and non-Annex 1 countries, but they agreed in the end on the principle of penalty rates (not on the size and the interest rates). Apart from this Japan had major problems with the issue of compliance.

In conclusion, clear answers were not established on the crucial issues of how to measure compliance and further, how to enforce it. Since no solution could be found at The Hague, there seems to be optimism that a compromise might be at the next meeting. The reason for this optimism is that President Pronk's proposal on compliance was viewed as a fair balance between the diverging opinions and the progress noted in the final days of negotiation. Therefore, a decent platform for negotiations is already available for the next round of climate talks.

### **Finance:**

The failure of the COP 6 is especially linked with two contrary positions of the EU and the US on sinks and supplementarity and the apparent inability to find a compromise. However, as indicated by the Earth Negotiations Bulletin, is a third group aside from these two prominent negotiators and two sources of disagreement exists. Developing countries, in

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<sup>7</sup> The EU asked for a penalty rate of 100% that would have to be paid at the beginning of the 2<sup>nd</sup> commitment period if the commitments of the 1<sup>st</sup> period have not been met. This rate could go up to 300% if the country in question chose to postpone its "debits" to other commitment periods. In contrast, the U.S. asked for a penalty rate of 30% (which would mean a discount rate under 5%) and no penalty "surcharge" for postponing the commitments. Therefore the U.S. strategy would make non-compliance attractive.

particular the G77/China group and the AOSIS group, which had strong positions on all key positions, offered other viewpoints. Due to differences in the negotiating positions, a number of details have yet to be resolved which regard particular concerns of these groups:

- The cross-cutting issue of funding
- Funding mechanisms and adverse effects
- Technology transfer
- Adaptation under the UNFCCC

The need for additional financial and technical resources to support developing countries as they cope with climate change and support “capacity building” was stressed many times. Support to the Third World should not be achieved by simply shifting aid from one section to another but by creating new funding mechanisms.

Strong controversy was further seen on two issues:

1. The role of the GEF and other funding sources<sup>8</sup>
2. The linkages of finance with Protocol-related activities

In the context of the first question, Pronk’s proposal to establish additional sources of funding, including an Adaptation Fund (for projects and interventions that focus on the adaptation to climate change), a Convention Fund (for the administration of the entire climate change convention) and a Climate Resources Committee (for the main administration and surveillance body of the financial resources) as well as to increase the resources for climate change funding, received special attention and served as a good basis for negotiations.

Regarding the second issue, G77/China strongly emphasised its concern about the prevailing linkage of funding under the UNFCCC to actions under the Protocol.

The main difficulty in this section was that the discussions concerning the CDM illustrated that there were numerous subgroups within the developing countries with very different positions, in particular within the G77 group. Furthermore, the developing countries wanted to achieve new financial sources as soon as possible. Developing countries were motivated

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<sup>8</sup> GEF is the “Global Environment Fund” of the World Bank for climate change, biodiversity, the ozone layer and the oceans.

not only by the need to cope with the consequences of climate change, but also by the energetic and socio-economic problems prevailing in these countries. Their overall opinion is characterised by the argument which follows that industrialised countries have overwhelmingly caused the present concentration of greenhouse gas emissions and that they therefore must bear the main responsibility. Developing countries and above all, small island states, will most likely be hardest hit by global warming. Therefore they insist that all countries have to bear a “fair” share of the reduction burden. Particularly China and India, the two developing countries expected to grow fastest, continued to insist on their “right to rapid development without commitments to cut greenhouse gas emissions” (CNN Asia Week, November 28<sup>th</sup> 2000). Emphasising their right for justice and equity, they asked for compensation in the form of financial aid and sufficient mitigation activities from the industrialised world.

#### **4.2 The collapse and the question of guilt**

After the collapse of the talks a lot of accusations were made with regard to the failure. As can be seen from the previous discussion, a main obstacle was the issue of carbon sinks where the U.S. and EU failed to reach a compromise. The last-minute attempts made by the UK to achieve a compromise between the U.S. and the EU did not succeed. After a long night of negotiations and – according to some sources<sup>9</sup> - even a telephone discussion between President Bill Clinton and British Prime Minister Tony Blair, the UK Deputy Prime Minister John Prescott managed to make a deal with the Umbrella Group. In the final hours of the negotiations the American negotiation partners apparently softened their position to less than one-fifth of their original demand. The deal included a 55 million ton annual carbon sink credit, which amounted to less than 10% of the total reductions required of the U.S. by the year 2010. Overall this credit represents less than 1% of the 6 billion tons of carbon dioxide that are emitted every year by humans (Grist Magazine, Leonie Haimson, Dec. 7<sup>th</sup>, 2000). But after the compromise had been presented by Prescott, the French Environment Minister Dominique Voynet, and the German Environment Minister Jürgen Trittin to the other EU countries, several EU governments were dismayed by the UK’s proposal and all the four Nordic ministers rejected it. In particular the Danish Environment Minister Sven Auken blocked the agreement that he considered too strong an insult to the environmental integrity

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<sup>9</sup> See i.e. Los Angeles Times of Nov. 26<sup>th</sup>, 2000 or Washington Post of Nov. 26<sup>th</sup>, 2000.



and credibility of the agreement<sup>10</sup>. His resistance convinced the German and French ministers and the Portuguese Environment Minister José Socrates to show disagreement with Prescott's deal. Furthermore the EU environmental NGO's have to accept responsibility for the final collapse by emphasising that no deal is better than a bad deal which endangers the environment and remains too favourable to the U.S.

As a consequence of the events that occurred after the presentation of the EU-US deal, the German Minister Trittin concluded that a compromise could not be achieved at any price and that it was thus better to safeguard environmental integrity and not have a deal. Therefore the deal that had been reached in the early morning has not further been backed by the EU.

The difficulty of the COP 6 consisted in finding the right balance between promoting ratification of the Kyoto Protocol while at the same time maintaining its environmental integrity. This conflict has best been illustrated during the strongly controversial discussions regarding the thematic of the "sinks". So a main cause of the climate talks' failure were the fundamental differences between the EU and the U.S. (backed by the other members of the Umbrella Group) regarding the question of sinks. But the sinks have not been the only problem; almost each of the various technical matters on which text has been developed was characterised by highly divergent political points of view.

After the failure the EU accused the Umbrella Group of trying to undermine the Kyoto emission reduction targets by attempting to avoid domestic actions and in particular by its extensive demand for loopholes. In the counter-move, the U.S. and its negotiating allies blamed the EU for being not flexible enough. A comment in the *Financial Times* blamed Europe for having the "air of self-righteousness", treating climate change as a peculiarly American issue. The EU has been blamed for pursuing its strategy not for the environment's benefit but only with the aim to weaken "the economic competitiveness of the industrial world's most energy intense economy"(Financial Times, Dec. 18<sup>th</sup>, 2000). This type of attitude was made responsible for the failure of the conference since it denies the interplay of economic growth, energy efficiency opportunities and political realities. In fact the U.S. emphasised that they were not able to reach the Kyoto targets only by decreasing energy use, without carbon sinks and the flexible mechanisms. They were disappointed because of the

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<sup>10</sup> According to some sources, Prescott's deal might have allowed a growth of the emissions by 5% (see for example Financial Times, Nov. 29<sup>th</sup>, 2000).

deal they already had with the UK Minister Prescott. After having made enormous concessions in the closing hours of the talks they felt the EU did not co-operate in a corresponding way. And when Frank Loy, chief U.S. representative submitted his last proposal of 40 million tons Saturday morning, the responsible EU ministers had already left The Hague. Mr. Loy claimed that the EU never made a counter-proposal to the last deal nor gave a reason for the breakdown of the “almost-compromise”. It is especially disappointing that the U.S. and the EU did not manage to settle their dispute because the final gap between the US and the EU amounted to only 0,25% of the world’s emissions of carbon dioxide.

According to various participants an agreement would have been possible after the outcome of these final days of discussions if there would have been more time available. Taking the complexity and scope of the negotiated issues into account, the lack of time certainly played a role. Given the enormous complexities - sometimes expressed in the way that “it was too technical for the politicians, and too political for the technicians”, a particular problem was that the real negotiations started too late. French Minister Voynet offered that half a day more would have been sufficient to reach a compromise.

#### **4.3 Reasons for the failure**

To understand the inability to reach a compromise we examine more closely the negotiators’ positions and backgrounds:

##### **The position of the U.S.**

The Umbrella Group’s strong positions on various core issues appeared to many observers as a main barrier to reach an agreement. Under the guidance of the U.S., the impression emerged that this group went to the COP 6 with the goal of reducing their GHG emissions with minimal efforts. The U.S. clarified from the beginning that it was flexible but would not sacrifice its core principles. The reason for its strategy was twofold: on the one hand the U.S. economy experienced an over-proportional growth in the recent years. Because of this economic boom they would have had to reduce their greenhouse gas emissions by 20 to almost 35% to meet their Kyoto target of -7% (Washington Post, Nov. 26<sup>th</sup>, 2000) The U.S. considered this effort as impractical.<sup>11</sup> Supported strongly by Australia, New Zealand, Canada

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<sup>11</sup> Nevertheless it should not be forgotten that also most OECD countries would have had to reduce their emissions by 20-30% compared with their business as usual (OECD, 2000).

and Japan they emphasised that cost-effectiveness was compatible with environmental integrity and that they needed to protect their businesses.<sup>12</sup> Therefore they aimed to enhance the flexibility of the agreement by increasing the use of the flexible mechanisms while including developing countries.<sup>13</sup> The demand of “meaningful participation” of the developing countries was an important initial position of the U.S. In particular they acknowledged that they were not able to meet their Kyoto target solely through domestic actions.

This argument relates already to the second motive for the U.S. position: the knowledge that American officials have to “sell the deal at home” which means that they had to move the policy through Congress, otherwise all the negotiations would end without impact<sup>14</sup>. And it was unlikely that the American Congress would accept any deal that puts a strong burden on the U.S. economy. From this point of view the U.S. strategy can also be understood. The U.S. tried to formulate a position that focused on building political consensus and that therefore would have allowed it to play a constructive role. As the *Financial Times* puts it “...the US can only proceed at the pace of public opinion. That is the price of democracy...” (Financial Times editorial comment, Nov. 27<sup>th</sup>, 2000).

Due to all the above-noted reasons the initial U.S. strategy enclosed a very high proposal concerning the carbon sinks. Taking care of its own interests, the U.S. tirelessly insisted on the first proposal which would have enabled the U.S. to reach a large part (1/2 to 1/3) of its Kyoto commitments through the normal growth of existing forests. According to the EU, this unreasonable initial offer rendered the negotiations more difficult and caused a tense atmosphere, especially because science does not yet know enough to verify the role of sinks in a quantifiable way (Scientific American, Feb. 2001). Also the strong resistance against the ceiling proposed by the EU constituted an impediment against the negotiations. A possible explanation for this strategy was strategic behaviour and can be found in recent economic

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<sup>12</sup> Australia claimed that it would have to “carry a disproportionate burden” if carbon sinks could not be included (ABC News, Nov. 27<sup>th</sup>, 2000). New Zealand emphasised that the amount of money it would save by applying the cost-effective measures was huge. The reason why Japan pushed for flexible mechanisms and the inclusion of sinks was because it neglected to form domestic abatement policies (Asahi Shimbun, Dec. 14<sup>th</sup>, 2000).

<sup>13</sup> The U.S. used the argument of cost-effectiveness also to convince the other countries that the Third World would also have to accept binding emission targets. Pointing at its own experience of the last years they said that the traditional link between economic growth and GHG emissions had been broken.

<sup>14</sup> Al Gore formulated this problem once in the following way: “The maximum that is politically feasible far exceeds the minimum that is scientifically necessary.”

studies<sup>15</sup>: due to its low marginal abatement costs (in relation to the EU) the U.S. could more easily afford a ceiling than the EU. Thus, if the US would have been consistent with its view on cost-effectiveness, it should have been content with the identified 50% ceiling. But knowing this information, the U.S. could use it strategically for its own targets, i.e. for getting even more concessions. Seen at it from this view, the EU asked for an easily achievable 50% cap.

### **The position of the EU**

The EU insisted that countries make a large part of their Kyoto commitments through domestic action<sup>16</sup>, rather than buying emission reduction credits from other countries or getting credits for the carbon absorbed by sinks. A major problem was that the EU apparently underestimated the issue of “carbon sinks”. The EU was unprepared, there was no clear strategy and therefore it was difficult for the negotiators to propose offers or accept counter-offers. In particular the EU did not put enough effort into the deeper research of this topic and hence did not expect part of the U.S. offer which included the plan to capture airborne carbon dioxide in farm soils. Backed by scientific studies (i.e. Ohio State University, see *The Independent*, Dec. 8<sup>th</sup>, 2000) the U.S. representatives argued that a large amount of carbon can be soaked up simply by improving farming methods.<sup>17</sup>

More important it can not be denied that at the end of the negotiations, when a unique strategy and unity as a negotiator was needed, the EU revealed its internal problems. The U.S. had the advantage of speaking with only one voice. However, Europe’s difficulty in speaking with one strong voice on crucial issues became evident. Michael Grubb, a professor at London’s Imperial College and an EU delegate to the COP 6 put these concerns into words: “The EU

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<sup>15</sup> For examples see Jensen, Kastberg Nielsen and Rutherford (2000), Ellerman and Wing (2000) and Zhang (2000).

<sup>16</sup> According to some sources the EU agreed to step back on its demand for a ceiling in exchange for the decrease of the U.S. sinks claim below 50% of its reduction target.

<sup>17</sup> *The Independent* of the 8<sup>th</sup> December 2000 also cites climate analyst John Lanchlery of Britain’s Royal Society for the Protection of birds who considers soils as a “fast, easy and very quick” carbon sink for the U.S. Moreover, for this type of sinks, he expects fewer problems with the measurement of carbon. Nevertheless a recent scientific study of UK’s Hadley Centre reported in *Nature* points at the problem of the enhanced release of carbon dioxide by the terrestrial biosphere if the global temperature is increasing (as expected). Instead of continuing to soak up carbon carbon sinks could start giving it off and thus turn into carbon sources after the middle of this century. In this way the process of climate change could be significantly accelerated. Apart from this fact there is no doubt at the moment that carbon can not be sufficiently measured in sinks due to a lack in research.

did not behave as a coherent body and did not behave as independent states. It is stuck in between.” (Gristmagazine, Dec. 7<sup>th</sup>, 2000, citing Reuters, Nov. 27<sup>th</sup>, 2000). These internal problems reflecting “a crisis of governance” (Financial Times, Nov. 28<sup>th</sup>, 2000) within the EU seem to have been decisive in not being able to compromise. Also, after the failure the EU-internal problems became evident when the internal accusations between the British, French, German and the Nordic environmental ministers started.<sup>18</sup> In particular the British-French tension could be seen: The French took the argument as proof that Britain’s sympathies are closer to the U.S. than to the EU, in particular British commercial interests were blamed (Washington Post, Nov. 28<sup>th</sup>, 2000)<sup>19</sup>. The “Anglo-French war of words” has without any doubt soured the atmosphere (CNN.com, Nov. 27<sup>th</sup>, 2000). Several EU ministers stood up for each of the two positions, consequently causing further discussions and recriminations.

Another problem of the EU strategy can be found in the above-cited article of the *Financial Times* that points at a true problem: the French presidency already started the conference in the wrong way, namely by accusing the U.S. of being by far the biggest polluter which consequently should result in the largest abatement efforts. It is true that an average American citizen emits three times as much greenhouse gas emissions as an average French citizen for example. The U.S. negotiators should have also kept in mind, that the U.S. produces 25% of the world’s greenhouse gas emissions, while having only 4% of its population.<sup>20</sup> Notwithstanding this fact, other countries are not blameless and the accusations were not the best way to start the opening ceremony of a conference that had high expectations. This EU strategy made the initial atmosphere of the negotiations more tense. Moreover the EU had been criticised by other countries for its strategy because it lacked a little bit credibility. The reason is the (not purely environmental) background of the domestic reductions it achieved after 1990; instead of long-term abatement policies that aim at reducing the energy use, the

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<sup>18</sup> John Prescott blamed Dominique Voynet for the failure to confirm the deal. In particular he was “gutted” (disappointed) and said that Ms. Voynet got “cold feet” and claimed to be too exhausted to understand the complex issue in detail. Ms. Voynet struck back, accusing Mr. Prescott of being “shabby”, “pathetic” and “macho”.

<sup>19</sup> Traditionally France is sensitive about cultural take-overs and therefore remain the USA’s sharpest critics in Europe.

<sup>20</sup> It should furthermore be kept in mind that – above all due to the low fuel taxes - an average American uses five times more fossil fuel than an “average earthling” (McKibben, New York Times, Jan. 5<sup>th</sup>, 2001).

EU could in part cut its emissions by shifting energy from coal to natural gas and by taking advantage of the end of East Germany.

Apart from these problems some of the EU environmental ministers who belong to Green parties seemed to have overestimated the environmental groups' opposition to a compromise. Also if some European environmental NGOs expressed their consent that "no deal is better than a bad deal", major pressure groups<sup>21</sup> said that they have not been asked their opinion in the last hours of the negotiations but they would have given the last deal their tacit support. Thus, after the collapse the EU found itself accused of lacking flexibility not only by the Umbrella Group, but also by environmental groups. The EU's decision to reject the U.S.'s proposal was not far-sighted: in this way the EU itself is also trapped because no agreement was ultimately reached.

### **The cultural gap**

As especially seen by the way the last hours of the climate talks were handled, the cultural gap between the U.S. and the EU seemed to have played a major role in the breakdown of the negotiations. Apparently the strength of the Green party in Germany and other Nordic countries helped to reject the last deal by pulling these governments to the left<sup>22</sup>.

Green parties are an essential part of various EU governments and public pressure for environmental activities is strong. Therefore the EU feels a great responsibility for environmental policy and presently wants significant action. Moreover we should look behind the scenes; almost all EU member states were affected by a crisis of increasing gasoline and oil prices in the last months and often reacted to it in a more politically rather than environmentally way. Following strong protests by the population, some EU governments decreased the prices without listening to environmental concerns that typically have a high priority in Europe. Therefore they needed to recover their "green position". In particular the French Environment Minister Voynet - who does not have a strong Green party backing - could not assert herself within the French government. Having the future elections in mind she needed to show her strong Green attitude after she suffered domestic criticism concerning various environmental issues.

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<sup>21</sup> For example the WWF and the NET, see i.e. the Financial Times, Dec. 2<sup>nd</sup>, 2000.

<sup>22</sup> In both France and Germany, a member of the Green Party serves as the Environment Minister.

Apart from this, the Americans warned when the date for the conference was first set that it would fall into the “lame-duck period following a presidential election, before the new administration takes office” (Anderson, p.3, 2000) and that therefore the negotiations would be difficult. But at this moment the EU still had a strong position regarding environmental concerns and therefore saw the conference at this special date as an opportunity to take leadership and show its environmental initiative. After the internal problems concerning the fuel taxes, any common EU strategy had broken down and the EU politicians found themselves “thinking a little more like American politicians” (Grist Magazine, McKibben, Nov. 17<sup>th</sup>, 2000). The American population still does not think that climate change poses a heavy threat on its future nor that changes in its life-style are required. Hence public pressure for climate policy is almost non-existent in the U.S.; the environmental movement increasingly co-operates with industries. Not one of the negotiators was in the position to take the lead during the negotiating process. This was a major barrier to the process of the negotiators.<sup>23</sup>

Apart from this difference regarding the public awareness both, the EU and the U.S. have a completely different approach to cope with environment issues. The U.S. believes that the best outcomes (with respect to a cost-benefit evaluation) can be achieved by acting on free market, both nationally and globally. Therefore the U.S. had a lot of experience with market-based policies and instruments and wanted to share its knowledge with the other countries, thereby profiting from the advantages of the market-based approach. In contrast, the EU feared that the market had to be regulated in order to avoid problems concerning free-riding or equity considerations. This was especially true in the context of environmental concerns. European countries are used to applying high taxes and command-and-control policies like restriction standards or other regulatory policies. Hence although the benefits of the market-based approach could not be doubted, the EU faced a difficulty in completely changing its traditional view of environmental policy. The EU never really found a way to compromise with the U.S. and its industry-backed environmental motivation.

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<sup>23</sup> Another cultural problem has been pointed out by Bill McKibben, namely that the U.S. are also reluctant to accept “meaningful” limits on their sovereignty as a result of the KP’s ratification. Sovereignty has a special meaning for them and therefore they have problems letting it go. See Grist Magazine, Bill McKibben, Nov. 22<sup>nd</sup>, 2000.

The cultural collision was completed by the third participant, the Developing Countries, that on the one hand oppose barriers (like climate change control policies) to their economic development, yet on the other know that they will probably be the hardest hit by global warming. The French Environment Minister Voynet emphasised that the difference between the political cultures rendered the negotiations more difficult. The U.S. chief negotiator Loy regretted that too many of the other participating countries adhered to positions that had been shaped more by political purity than practicality, and hence more by dogmatism than by pragmatism (Financial Times, November 28<sup>th</sup>, 2000).

### **The position of the developing countries**

It should not be forgotten that all these last-minute talks were made without the developing countries participation. Hence, even if the deal would have been accepted by all the EU countries it would not have been guaranteed that the developing countries would have agreed to it. The Third World would still have needed to be persuaded.

The developing countries were disappointed after the end of the negotiations and claimed that they will face more environmental turmoil as a result of the failure. According to their opinion, the guilt for the failure has to be found in the “selfishness and lacking political will” of the industrialised countries and the inadequacies of their hard-line positions. Sani Daura, Nigeria’s Environmental Minister and spokesman for the G77/China group particularly blamed the competing economic interests of the industrialised countries. Within the negotiations this group asked for some financial aid which could help them to deal with the climate change. After the collapse they were scared that time has run out. In particular the AOSIS group – which is among the most vulnerable to the impact of global warming and at the same time is expected to be one of its earliest victims<sup>24</sup> – claimed that its demands had been neglected and made a call for justice.

In fact it appears that Third World countries have once again been dissatisfied and let down<sup>25</sup>. Their position seemed to count less, which can be seen also from the fact that they were absent in the last-minute negotiations. Due to the breakdown of the climate talks in the

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<sup>24</sup> In fact the Manila Times of December 12<sup>th</sup>, 2000 cites a recent report that confirms the sinking of islands and low-lying coastal communities if global warming will worsen.

<sup>25</sup> This can be also seen from the fact that demand of “meaningful participation” of the developing countries was an important initial position of the U.S. But due to lack of time this question never really came into focus.



morning of the last day of negotiation, November 25<sup>th</sup> 2000, the discussion concerning funding for developing countries was not even finished. And even if it had been claimed that CDM had priority within the negotiations, there were not a lot of outcomes on the crucial issues. This is one more reason that emphasises the conjecture that the Third World countries were treated with less importance. Now they fear that the failure will serve as an excuse to the industrialised countries to proceed with “business as usual” development without thinking of real solutions to combat global warming (CNN Asia Week, Nov. 28<sup>th</sup>, 2000). Without any doubt, anxiety among the poorer countries has intensified and as a consequence they feel a strong need to reach final decisions.

### **The President of the COP 6**

The Dutch Environment Minister Jan Pronk also failed to represent an effective president and leader of the conference and at times his strategy did not appear well thought out.

- The “clusters”

Pronk first he separated the key issues into “clusters” that apparently were too complicated for the ministers. Moreover this move impeded the possibility of “trading concessions” between the key issues in the form of “packages” and the negotiations on the specific text stopped until three days to the end of the talks.

- The “Pronk document”

When Pronk finally submitted a compromise proposal on Thursday November 23<sup>rd</sup> to bridge the differences between the U.S. and the EU, it was too late – both negotiation partners rejected it as inadequate and complained about the cuts concerning their initial demands and interests. Furthermore, environmental groups considered the proposal as a danger to environmental integrity because it would give too many concessions to the U.S. and would drastically reduce the Kyoto commitments. Undoubtedly, the document was painful for all parties<sup>26</sup>, but generally considered as to favour U.S. By applying a long-term view possibly it would not have been so bad; and because it was only a political agreement, the technical alignment would have had to follow. The main problem was the ambiguous wording of several key areas that gave rise to distrust. Hence – also if his document can in the further

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<sup>26</sup> In fact the AOSIS group received a lot of advantages through the proposal.

talks serve as a starting base for negotiations – he distributed it during the wrong moment, driving the positions only further apart.<sup>27</sup> For the technicians it was already clear that there was not enough time left to work on all the specific documents that were not discussed since the end of the first week.

- Submissions on the document

Pronk committed another strategic mistake by demanding written comments on his document. As a result there were too many drafting changes made by all groups in an attitude of “brinkmanship”<sup>28</sup>. The submissions did not help to improve the situation. Now Pronk has the difficult task to rewrite the document in a way that takes into account all of the comments<sup>29</sup>.

It is tempting to blame the failure of the conference on the cultural differences between the U.S. and the EU and the consequences resulting from this condition. Without a doubt, the apparent inability to coordinate the positions of the EU member states bears guilt. Also the unreasonably high demands inside the initial negotiating position of the United States did not contribute to the improvement of the climate talks. Furthermore there is no doubt that all the issues at the conference were extremely complex and that many of the facts were disputed. After having considered all the different positions to all the issues it seems almost logical that COP 6 did not have enough time to reach an agreement. But the story is not that easy to explain. The cause of the breakdown has to be found in the interplay of all these forces plus the circumstances and some deeper lying reasons that will be explained in the next section.

### **“The Making of the Kyoto Protocol”**

A fundamental reason for the difficult situation that emerged at The Hague can be found in the background of the Kyoto Protocol. The KP has basically been formulated in the last hours of the COP-3 in Kyoto. The outcome of the last-minute negotiations was motivated by the

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<sup>27</sup> Leonie Haimes points in his column of the Grist Magazine that Pronk’s proposal asked that the U.S. receive only a 50 million annual carbon sink credit. This amount is very close to the figure that has in the final negotiation hours been decided on by both the U.S. and the EU, yet afterwards rejected by the EU under pressure of some member states. See Grist Magazine, L. Haimes, Dec. 7<sup>th</sup>, 2000.

<sup>28</sup> It seemed that only the developing countries (and in part the EU) tried to contribute to a compromise. Given the widely diverging positions of the single developing countries within the G77/China and AOSIS groups in the beginning, their submissions were remarkable. They moved very far to enable a compromise.

<sup>29</sup> This document was expected for mid-February, 2001.

high expectations of the world and special groups as well as by the ambitious target to accomplish a historic agreement. Above all the EU and environmental groups demanded real emission reductions for industrial countries whereas for example the U.S. initially asked only for limits. The price for these binding commitments was the inclusion of the so-called sinks and other “loopholes”. Notwithstanding these prevailing contrary views, an agreement could be achieved in the last night of the COP 3. A decision had been taken on fundamental principles and in fact a milestone in the history of environmental agreements had been laid.

But the situation changed dramatically as soon as the various countries recognised the extent of the KP. Almost all the definitions and exact formulations of the details were postponed to later meetings. Only afterwards the dimensions of the delayed work was recognised. In particular the complexity of the mechanisms and the dimensions of the potential “loopholes” as well as of the concession “hot air” had been under-estimated. It should not be forgotten that both the flexible mechanisms and the carbon sinks were in principle agreed to by all the negotiating countries at the COP 3. Without these additional mechanisms that widen the way that emission reductions can be reached, the KP probably would have never been signed. Furthermore it should be clear that when the U.S. signed the KP they also agreed to one of its major principles, namely that industrialised countries must take the lead in combating climate change.

Notwithstanding the fact that the KP constitutes one of the best-written texts within the history of environmental agreements since it includes environmental, economic and legal components, it can further be seen that a lot of previously mentioned climate control measures have not been really well thought out and therefore their definitions posed problems and disputes. This explains why the negotiations turned out to be so difficult.

In The Hague it seemed as if the participants were influenced by the knowledge of the last-minute negotiations that produced the Kyoto Protocol. Therefore in the beginning they took it slightly too easy, given the importance of the expected results. Nevertheless, the negotiators seemed in part to have learned their lessons after the COP 3; in The Hague they did not want an agreement at any price. However, if this was a good strategy, in this special case it has to be doubted.

#### 4.4 Was progress reached at the COP 6?

The collapse of the COP 6 has induced protests on several fronts and almost hysterical reactions. A disaster for the earth and its climate was claimed; the end of the political commitment to climate change was foreseen.

But in fact almost the opposite happened: if the climate conference also failed, it demonstrated that the circumstances and the preconditions for an agreement had never been better and that therefore a compromise was never closer<sup>30</sup>. All the participating countries were aware that the Kyoto Protocol needed urgent follow-up action. Thinking of past negotiations, this attitude can be valued as a success. The decision that the COP 6 will resume in spring 2001 already indicates that The Hague cannot only be considered as a total failure.

Before the negotiations many key issues were characterised by differences among the various countries that appeared to be incompatible. Delegates from different key participants stressed the fact that they had made some progress in closing the gap between the two major negotiators, the European Union and the Umbrella Group. The officials confirmed that differences concerning important issues were bridged. Especially during the last two days of the negotiations the positions of the U.S. (backed by Canada, Australia, Japan and New Zealand) and the European countries, presented by the EU under the presidency of France, approximated to each other. Given the participants' widely divergent initial positions concerning almost all key issues and the wide range of open questions, this approximation can be valued as a small success<sup>31</sup>. If there would have been more time available for negotiation, an agreement might have been possible.

Another positive effect of the COP 6 is that the EU positions were clarified in a number of respects<sup>32</sup>. In particular possible linkages in "package" of the issues became more apparent, for example between domestic sinks and domestic actions (possible substitute), between domestic sinks and CDM (given their scales they could undermine the CDM's viability) and

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<sup>30</sup> This fact illustrates that the failure of the COP 6 was a missed opportunity!

<sup>31</sup> Details concerning this approximation will be given in the following section. It is important is that both the EU and the U.S. showed some flexibility concerning their initial positions; the EU with regard to complementarity and the U.S. with regard to sinks.

<sup>32</sup> In particular the EU showed a willingness to move on the sinks and that it was open to suggestions with respect to complementarity subject to other things agreed to in other areas. Furthermore the EU emphasised that no nuclear energy should be allowed within CDM and it did not oppose a "levy".

between compliance and supplementarity (a strong compliance induces less need for strong supplementarity clause).

Perhaps the most important progress has been the improved acknowledgement of climate change. After years of scepticism, within the last years scientific evidence for climate change has increased. If current trends continue, the global temperature is very likely to rise. The chairman of the Intergovernmental Panel on Climate Change, Robert T. Watson, identified the current situation by saying “It is not a question of whether the Earth’s climate will change, but rather by how much, how fast and where” (Philadelphia Inquirer, Dec. 11<sup>th</sup> 2000)<sup>33</sup>. And The Hague conference showed that a major impediment for action in this field, namely the ignorance of climate change, has finally almost completely vanished. The basic idea of climate change and its implications concerning the need for action appeared to be more accepted than ever before. Public consciousness is growing which can also be seen by the increasing success of environmental-friendly products. Both politics (particularly U.S. politicians) and business gave the strong impression that they have realised that climate change is happening and that it is mainly caused by human activities.

The business sector had high expectations in the climate talks because it was waiting for signs and furthermore for certainty concerning their future planning of the emission reduction strategies and of the cost it has to take into account for carbon abatement. Many representatives were sent to The Hague to show the importance of the climate talks to the business sector and to lobby for a market-friendly realisation of the Kyoto Protocol. Since the business sector addressed climate issues much more progressively than ever before, the Umbrella Group, and in particular the U.S., had no more excuses for delaying actions to combat climate change. Notwithstanding the initial satisfaction that the The Hague-failure caused for America’s smokestack industries, even they admitted that it would be much easier if the conference would have agreed to a common strategy to reduce the GHG emissions. General Motors corporation spokesman Dave Barthmuss expressed the industry’s position in

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<sup>33</sup> The IPCC’s Third Assessment Report which is the most comprehensive study ever made for global warming, almost doubled the range of likely global warming from the previous prediction 1-3,5°C to 1,4 – 5,8°C from 1990 to 2100, indicating that the climate is changing more rapidly than expected. The report says that “..greenhouse gases have built up to levels likely to have been unparalleled in the last 20 million years, with three-quarters caused by the burning of fossil fuels and one-quarter caused by deforestation.” (International Herald Tribune, Jan. 23<sup>rd</sup>, 2001). It foresees a not too far future which could force tens of millions of people to leave their living areas because of the consequences of global warming. The overall message of the report is that “an increasing body of observations gives a collective picture of a warming world.”

the following way: “If we were given mandates, and targets to hit, there are a lot of technologies we have to meet them.” (CNN.com, Nov. 28<sup>th</sup>, 2000). The industry urges decision soon that should take the importance of flexibility and a “keyboard of actions” into account which could allow them to be flexible in achieving their targets. Hence the common reaction from the business sector on the conference’s failure was dismay about the future uncertainty. The reason for this reaction is also that business wants clear rules for potential technology transfers to the developing countries and the GHG emissions trading market. Big growth opportunities are expected to result from the international fight against climate change. Mark Paterson from the Australian Chamber of Commerce and Industry pointed at the missed opportunity of achieving both reduced emissions and a global policy outcome by introducing market-based mechanisms (Canberra Times, Dec. 10<sup>th</sup>, 2000). Eileen Claussen, president of the PEW Center on Global Climate Change<sup>34</sup>, emphasised her disappointment about the breakdown of the talks due to a relatively small number of tons for carbon credits.<sup>35</sup> She blamed this short-sighted decision in view of the fact that climate change is happening. As a future strategy she proposed to take advantage of all the available instruments to combat climate change: “In the long-term fight against global warming we need every tool at our disposal.” In particular she stated that limiting the range of possible policy instruments would limit “our ability to meet our environmental objectives”. Regarding the U.S. and the business sector as a whole, she gave the advise to put more emphasis on domestic emission reduction policies to achieve a better, more recognised position within the negotiations.

Notwithstanding all the progress and the approximations on difficult key issues, in the end no agreement could be reached. Acknowledging that the chances of a deal were more favourable than ever before there is no doubt that the conference now presents a missed opportunity. The fact that worldwide governments, environmentalists and even industries showed their disappointment about the climate talks’ failure indicates that The Hague was a large opportunity for compromise. The Umbrella Group’s final offer may have been far from ideal, but it nevertheless included important concessions that could have rendered this imperfect

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<sup>34</sup> The PEW Center on Global Climate Change is a Washington-based non-profit organisation dedicated to providing credible information and innovative solutions in the context of climate change. It includes a lot of the large business companies, i.e. the Business Environmental Leadership Council. For more information see [/www.pewclimate.org/](http://www.pewclimate.org/).

<sup>35</sup> See “Wrap-Up of ‘COP6’ Global Climate Change Negotiations”, Statement by Eileen Claussen, President of the PEW Center on Global Climate Change, Nov. 27<sup>th</sup>, 2000.

compromise helpful. This analysis tried to put light on the reasons for the alternative that has been chosen, the breakdown of the climate talks without any agreement. However, even after looking carefully at all the different sides of The Hague, and acknowledging the EU's attempt to adhere to environmental integrity, there still remain doubts with regard to the collapse's justification.

### **5. Outlook: What now?**

After the final negotiations ended Saturday, 25<sup>th</sup> November 2001, the formal Plenary decided to suspend COP 6 and to reconvene in 2001. The Kyoto Protocol was to have been put into effect at The Hague. The consequence of the failed climate talks is that the ratification of the Kyoto Protocol will be delayed. And should the COP 6 reach an agreement in Bonn, for some countries it will probably be impossible to reach their emission reduction targets. The treaty should come into force in 2008, meaning that the binding emission limits should begin to take effect in the year of 2008. But further delays in completing its details could put this date into question.

In an attempt to revive the stalled climate talks, Senior officials from the key developed countries met in Ottawa two weeks after the breakdown of the negotiations in The Hague. The meeting was initiated by President Clinton, who aimed at reaching a deal before the end of his presidency, and was also intended to salvage the COP 6 deal. The officials from different key participants stressed that they had made some progress in closing the gap between the two major negotiators, the EU and the Umbrella Group, but they also noticed that some significant differences still remain between the main negotiating positions. A positive sign was the general agreement to move ahead from The Hague, but a major issue of disagreement remains the handling of the carbon sinks. Nevertheless some progress has been made because the EU showed in Ottawa that it might be softening its position; in particular the idea of an agreement with limiting conditions seems to have been accepted. Both the French and the German representatives indicated the willingness for concessions. But the scale of the conditions is once again left for discussion, since some green EU ministers are still reluctant to compromise. Some sources say that the Ottawa meeting partly failed because some members of the EU tried to introduce new issues, such as calling for a prohibition of the financing of nuclear power in developing countries. Further, some issues that were believed to be dealt with at The Hague have even be re-opened. As a consequence of the lacking convergence on

the key issues the U.S. rejected a further invitation by the EU to reopen the climate talks at a ministerial-level meeting that should have taken place in Oslo the week after Ottawa. It is expected that the COP 6*bis* will resume in late spring 2001 in the German city of Bonn. Until this meeting, there is a lot work left concerning the search for common ground on the differing key issues and the further development and consideration of negotiation texts.

The meeting in The Hague certainly did not live up to expectations from the world but - as has already been said - many delegates from key countries pointed to progress made during the talks. Following the distribution of President Pronk's Note a lot of ministerial consultations took place in various sections and initial foundations for a political agreement were laid. According to observers there is reason to believe that political willingness to address the remaining key outstanding issues really exists.<sup>36</sup> This political will can also be explained by the significant consequences a second failure of the negotiations would have and consequently by the significant pressure to achieve a successful consensus. While there is still the need for improvement on Pronk's Note and a lot of work remains to be done, the proposals nevertheless have been considered as a good basis for further political discussion and negotiation. The Hague can be seen as a step forward in the direction of an agreement that still requires extensive negotiations. In The Hague, crucial global warming issues were left unresolved, but nevertheless credible consensus could be found in many of the issues. Therefore the outlook for the next negotiations is not so bad. As has been heard from an EU-internal source: "The EU is disappointed but not disheartened" and therefore is trying to work for compromise, especially by taking the newly available time to prepare itself better to close the deal. As Jan Pronk formulates it in a recent public note: "...COP 6 was not a failure. The game is not over. The 'extra time' granted to us can be put to constructive use." The aim of the next meeting will be to solve the political disagreements concerning the outstanding key issues with a focus on sinks, complementarity, compliance and the nature of the international financial mechanism. Special attention should be given to the importance of both maintaining the environmental integrity of a future agreement and setting a signal with the achievement of a compromise.

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<sup>36</sup> The most stated comment after the COP 6's failure also intensifies this impression, namely Frank Loy's declaration that they will not give up since "...the stakes are too high, the science too decisive and our planet and our children too precious."



A consequence of the “history” of the Kyoto Protocol and its details are questioned by some experts as to the suitability of this agreement. They argue that the KP “...is the wrong approach to tackling the climate change issue” (McKibbin 2000, p. 2). And James K. Hammitt goes even further by saying that The Hague may “...provide the opportunity to do what really ought to be done: replace the 1997 Kyoto Protocol with a more effective and politically acceptable agreement to combat climate change.” (Washington Post, Nov. 29<sup>th</sup>, 2000). According to John W. Anderson the COP 6 failed because “..the Kyoto Protocol tries to do too much too fast. The Kyoto structure would require the efficient operation of international institutions that have not yet been established, under rules that have not yet been written.” (Anderson, p.1, 2000). On the one side the KP is poorly targeted since it focuses on the wrong, too short-sighted time frame. Only emission reductions that take place over a longer time period matter in the context of climate change. On the other side the KP does not take all the problem into account, since it fails to cope with the emissions’ future growth. In particular there are no strategies for the developing countries. Specifically two alternative proposals to the KP have been made: on the one hand the famous McKibbin-Wilcoxon Proposal that aims at a fundamental re-thinking of the approach embodied in the KP. In particular the combination of fixed targets and the international trading of emission permits is put into question. On the other hand researchers from Resources for the Future (a Washington, D.C. based environmental research organisation) proposed a cap on the prices of emission permits that are issued by each country. The attractive feature of these proposals is that they can be considered as “early action policies”. Each country could run its own climate control program not depending on other countries, but on an overall framework. Also the chief negotiator from Russia, the scientist Alexander Bedritzky, doubts that the KP is the right instrument for the protection of the climate (Die Welt, Nov. 27<sup>th</sup>, 2000). In summary, the KP has been criticised both by scientists for being too weak and by economists (mainly U.S.) for its enormous emission reduction requirements and for its failure to include commitments from the developing countries<sup>37</sup>.

Notwithstanding these negative opinions on the Kyoto Protocol it still constitutes one of the most remarkable environmental agreements which has been reached. Many studies defeated

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<sup>37</sup> For further criticism see i.e. Jacoby, Prinn, Schmalensee (1998) and Shogren (1999).

the criticisms in pointing at its advantages<sup>38</sup>. In fact the KP addresses environmental, economic and legal aspects of what is probably the most profound global environmental problem and thus remains a "...complex and far-reaching agreement that seeks to define the basic structural elements upon which global efforts to tackle climate change should rest in the next century." (Grubb, 2000, p.31). For the first time in history an international environmental agreement includes binding quantified emission reduction targets that can be achieved by a range of alternative instruments. The structure of commitments is characterised by a flexibility that has never before been included in so many dimensions. This flexibility illustrates the economic efficiency considerations that have been taken into account. A special characteristic of the KP is that the impacts of its commitments is balanced in the sense that neither global emissions growth nor economic growth will be influenced in a decisive way. Nevertheless its structure offers an opportunity for an "...effective international framework for tackling climate change." (Grubb, Vrolijk and Brack, 1999). Taking account of all its limitations, it should be acknowledged that the KP represents a huge progress with respect to past negotiations.

All the circumstances concerning the positive opinion of the industry and business, the overall enhanced recognition of climate change as well as the political situation show that The Hague really was a missed opportunity. There were so many incentives working together that should have forced an agreement. The failure of the COP 6 – after a first wave of disappointment – even strengthened the already prevailing good intentions of the different groups and observers notice a cautious optimism for the next meeting in Bonn. Nevertheless the constellation of the incentives still posed a very special opportunity. This can already be seen by the fact that after the post-COP 6 meeting in Ottawa, observers identified some further move away from the results reached in the final hours of The Hague. In particular the U.S. chief representative Frank Loy emphasised that on the critical issue of restrictions on emissions trading the understanding that he thought already existed at The Hague has "unravelling" for now (New York Times, Nov. 18<sup>th</sup>, 2000). Moreover the U.S. asked for the possibility of developed countries to buy Third World's forests as carbon sinks, after having already renounced this option at The Hague. Hence it is obvious that the U.S. (or more generally, the Umbrella Group) is going back from the final concessions it made in The Hague and instead wants

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<sup>38</sup> For examples see i.e. Grubb, Vrolijk and Brack (1999) and Grubb (2000).

preconditions for the new negotiations. Above all the EU was asked to be more flexible on its positions. This indicated – one more time – that The Hague was a missed opportunity. The UK Deputy Prime Minister Prescott expressed this concern saying that he is sad that they have missed a “window of opportunity” to agree to what has been established at The Hague. It appears as though he was right; a statement by U.S. EPA Administrator Christine Todd Whitman on March 2<sup>nd</sup>, 2001 clearly indicated that the new U.S. administration does not feel obligated to continue the climate talks with the same promises offered by the previous presidency. In particular, she emphasised that “the United States will completely re-think its stance on global warming before reopening talks on an international pact to tackle climate change.” (Los Angeles Times, March 2<sup>nd</sup>, 2001).

A US environmental group (National Environmental Trust) expressed what many observers felt, namely that The Hague was “likely to have been the European nations’ best opportunity to achieve a strong climate treaty, and they decided to pass it up. After January, they could face a Bush administration almost certain to push for bigger loopholes. (...) There is no excuse for walking away.” (Washington Post, Nov. 26<sup>th</sup>, 2000)

In fact the new Bush administration has to be considered with caution because George Bush is sceptical about the arguments over greenhouse gases and repeatedly questioned the problem of global warming. In particular he clearly indicated as a candidate that he did not support the Kyoto Protocol, although he “wouldn't fully discount the possibility that global warming was occurring” (Grist Magazine, Jan. 26<sup>th</sup>, 2001). Therefore it is likely that there will be the demand for even bigger concessions in the form of loopholes. In fact, the president of the Washington-based World Resources Institute expressed the image of the new U.S. President in the following way: “The incoming president gives little evidence of fully understanding the issue.” (International Herald Tribune, Jan. 23<sup>rd</sup>, 2001). Nevertheless there also exists the hope that Bush will change his opinion due to the industry’s point of view. In this case the “Nixon-goes-to-China” argument could become true, which means that it would be much easier for Bush to get the treaty through the Republican-dominated Senate. The first signs of the new administration appear slightly positive in the sense of acknowledging the science of global warming. In particular one of the Bush administration’s first official statements on global warming attracted attention; U.S. EPA Administrator Christine Todd Whitman stated clearly that the White House accepts global warming as a real phenomenon and that it might support CO2 emission limits as part of a broader strategy concerning the regulation of pollutants from

the burning of fossil fuels (Washington Post, Feb. 28<sup>th</sup>, 2001). However, even though President Bush expressed recognition of the climate change's importance, he already called for more time and more studies on the subject of global warming. In fact, in the Bush administration's first move on global warming the U.S. Department of State spokesperson Richard Boucher has asked that more learning-time be given to the new representatives in order to undertake a "thorough look at the U.S. policy on climate change" and therefore the postponement of the next international summit on climate change (US State Department briefing, Jan. 24<sup>th</sup>, 2001).

Due to this U.S. strategy COP 6*bis* has in fact been delayed. Jan Pronk tried to make some compromise between the U.S. demand and the foreseen point of time (May 2001) and announced on Feb. 12<sup>th</sup>, 2001 that the COP6*bis* will resume for two weeks within the period from mid-June to late July 2001. On February 28<sup>th</sup> of 2001 Pronk specified the date; the formal climate negotiations that were suspended last November will resume from 16-27 July 2001 in Bonn, Germany. These delaying activities do not necessarily signify the failure of the COP 6 but they make it more difficult to come back to negotiating and further difficult to keep results gained in The Hague<sup>39</sup>. Nevertheless, the big chance for the next climate talks could be that Bush will be under pressure from a number of directions<sup>40</sup>. In fact some commentators expect that this cautious approach of the Bush administration will only last for the initial "settling down" period and that it is far too early to assess the new U.S. government (Linkages Journal, Feb. 1<sup>st</sup>, 2001). Indeed it would be time for the politics to follow the industry's lead and take climate change seriously. President Bush would have a prestigious opportunity to demonstrate leadership on climate change control by taking a strategy that demonstrates willingness to address global change with real commitments<sup>41</sup>.

## **6. Conclusions**

Perhaps the situation changes completely with the new American President. In fact, the first signs of the new U.S. administration further gave the impression that the second round of the

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<sup>39</sup> In fact, this move by the U.S. administration has caused various reactions within the EU, both positive - because it could mean that the U.S. takes the issue and the negotiations seriously - and - for obvious reasons - negative ones.

<sup>40</sup> See also the comment by John Dillon in the Boston Globe, *Simmering hopes for progress on global warming*, Jan. 14<sup>th</sup>, 2001.

climate talks would very likely be more difficult because of President George Bush. Bush declared in a letter to Senators Hagel, Helms, Craig, and Roberts on March 13<sup>th</sup>, 2001, that he strictly opposes the Kyoto Protocol because of the harm it would do to the U.S. economy. Nevertheless he promised to take the issues of global climate change seriously by addressing it “in the context of a national energy policy that protects (...) environment, consumers, and economy”.

It could also occur that some EU ministers change and that there will be new people to bring fresh air into the negotiations. Maybe the developing countries will never agree to a compromise negotiated almost entirely between the U.S. and the EU. Perhaps it is true that the problem of climate change has been tackled in the wrong way from the beginning.

Concluding, it is questionable whether the resumed COP 6 will enable the successful conclusion of the negotiations regarding all issues under the Buenos Aires Plan of Action. The certainty, that a compromise will be possible among all the nations, is not given. Furthermore it is not even apparent that the Kyoto Protocol is the best approach to the problem of global warming. But the reality is that climate change is occurring and that its likely impact will rise gradually throughout the next century. Therefore some action has to be taken, and there are not a lot of options. At this moment we should try to make the best out of the situation. The COP 6 in The Hague failed but in this way all the countries have more time to think about their positions and to formulate their negotiation strategies. When doing so, also the following arguments merit some consideration:

- We should acknowledge the fact that the Kyoto Protocol – with all its limitations – represents a remarkable progress in the history of international environmental agreements. In fact its implementation could lay the basis for effective global action. The main weakness that the KP contains is that it puts more emphasis on the emission targets and reduction commitments than on the institutions that are needed to supervise the abatement activities as well as the overall abatement. In fact the trade-off that has been made between environmental efficiency and institutional mechanisms should have taken more account of the important role of institutions. Thus a better strategy for the first commitment period would have been to renounce a part of the mitigation requirements in

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<sup>41</sup> See also the comment by Charles O. Moore in the Miami Herald of Dec. 19<sup>th</sup>, 2000 and Time Magazine of Jan. 22<sup>nd</sup>, 2001.

order to obtain institutional mechanisms in exchange that can realise these emission reductions at an earlier point of time. As a consequence of this weakness a future climate strategy should shift its priority to the design and implementation of institutions that are able to offer a credible compliance system and thus can put the abatement efforts into force.

- The importance of induced technological change shows that dynamics matter. The Kyoto Protocol will have to be judged also with respect to its implicit impacts on induced technological change. The discovery that emission reduction targets may provide incentives for technological progress with positive spillover effects to many sectors of the economy may change the evaluation of abatement policies from a burden to an opportunity and become a self-enforcing mechanism of the KP. The ability to stimulate technological change might turn out to be one of the hidden treasures in the KP since technical progress is considered as an important force for improving competitiveness and stimulating new opportunities for economic growth. To ensure that the next negotiations could produce a deal that has the possibility to be ratified and implemented, the negotiators should count on the engine of economic growth rather than creating barriers. It should be acknowledged that the business sector plays a key role in addressing the climate control challenge<sup>42</sup>. This would not only decrease the costs for the KP's implementation but it would also provide incentives for businesses to innovate and maybe even to create new markets (see *The Economist*, Nov. 18<sup>th</sup>, 2000). The EU should therefore be more cooperative and less restrictive in its strategy. Without this dynamic characteristic it would therefore be useless to keep the Kyoto Protocol: the reduction by 5.2% has almost no effect. Scientists say that this amount represents only a fraction of the 60% cut in emissions that is needed if global warming is to be brought under control (*The Independent*, Dec. 17<sup>th</sup>, 2000). This means that the KP is ineffective if not followed by additional actions. We have to adapt to the inevitability of climate change and not focus too much on the exact targets of Kyoto. The prospect that the EU will act more flexible has already been seen in the final negotiations where it weakened its notion of complementarity. According to some EU sources, the EU probably is willing to drop its demand concerning complementarity in its future negotiation strategy. Regarding the

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<sup>42</sup> See also OECD, 2000, Perspectives on climate change policies.

question of sinks it was correct not to agree to an unreasonable amount which both endangered the environmental integrity and was not even assessable. But a crucial reason for the rigid strategy has to be removed, namely the EU's apparent non-preparedness to the thematic. The strategy concerning carbon sinks should be based on – as far as available - precise scientific methods while taking also equity considerations into account. The communication between science and politics has to be improved. Then it is possible to achieve an autonomous negotiation position that can both defend national interests of the European countries (i.e. the agriculture and forestry sectors against environmental concerns) and the sustainability of Europe<sup>43</sup>.

- Moreover the EU should keep in mind that the U.S. is an important partner and that it would be better to include them in the co-operation on global warming<sup>44</sup>. The U.S. is by far the biggest producer of carbon dioxide emissions which implies both that a ratification of the Kyoto Protocol without the U.S. is almost impossible and that it cannot be excluded from a credible plan for the reduction of emissions. If theoretically possible, the exclusion of the U.S. is neither practically nor politically justifiable in the face of its contribution to the global warming. Apart from this the U.S. has a lot of power, for example concerning the knowledge about climate control technologies. As a consequence a better strategy would be to act more flexible and advocate concessions. In this way it is almost certain that U.S. would be cooperative.
- In making its decisions the U.S. should also think of the possible consequences that a further failure of the climate talks would have. The U.S. would not only lose in terms of reputation but more importantly, it could do substantial harm to the world economic growth and the international trade since damages induced by climate change affect all countries and will therefore cause a feedback reaction all around the world. Furthermore the U.S. should deviate from its claim concerning the developing countries' commitments. This claim is based upon a static analysis that does not take account of the dynamic processes which take place in economies. In fact it does not make a lot of sense to get

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<sup>43</sup> See Ferrara, V. 2000. Relazione a seguito della partecipazione alla Conferenza delle Parti (COP-6) di L'Aia della Convenzione Quadro sui Cambiamenti climatici (UNFCCC) per l'attuazione del Protocollo di Kyoto. Nov. 30<sup>th</sup>, 2000.

<sup>44</sup> Notice that the U.S. and the EU were together responsible for 38% of all the carbon dioxide emissions in 1997; the U.S. alone produces about 25% of the global greenhouse gas emissions.

developing countries immediately inside the climate coalition. A wiser strategy would be to create incentives and policies with spillovers (i.e. far-reaching technologies that evolve and diffuse internationally) that make it profitable for them to enter the agreement in the 2<sup>nd</sup> period. Apart from this reason there are also the signs that the U.S. would risk to become internationally isolated if it would insist on including the developing countries in the first commitment period.<sup>45</sup>

- Should indications that the new U.S. administration is not further interested in cooperating under the Kyoto Protocol become true, the EU could nevertheless move towards unilateral ratification. Since the EU itself can hardly exert influence on the overall concentration of emissions, and therefore above all would initially incur mitigation costs, at least two pre-conditions should be satisfied before proceeding in this direction. On the one hand it has to be ensured that unilateral ratification has the potential to induce a successive, sequential process which allows in the medium and long term the achievement of environmental cost-effectiveness. Such a process could be launched if the geopolitical prospects to improve relations between environmental benefits and abatement costs from EU-wide mitigation are good. The underlying motivation for this argument is that as soon as the EU would be enlarged by potential member states coming from the East, including in the longer run also Russia, the abatement costs within the EU would be tremendously decreased. As a consequence, other countries with low abatement costs, such as Japan and ultimately the U.S., would be interested in participating in the original EU-based mitigation strategy. However, whether this process is a realistic option in the future has to be identified before engaging in unilateral ratification. For this purpose, the economic and political conditions within the EU and potential member states needs careful assessment. The second precondition regards the requirement that the low-hanging fruits which could be reached by mitigation activities should be sufficiently high to help in offsetting the initial abatement costs. Low-hanging fruits represent the benefits that can be easily achieved by GHG abatement measures for example by applying already existing, low-cost technologies which yield substantial benefits by enhancing the efficiency.

Summarising, in order to decide on an unilateral ratification there has to be an accurate assessment of whether the political and economic situation concerning the future EU and

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<sup>45</sup> For more details see the comment by John Dillon in the Boston Globe, Jan. 14<sup>th</sup>, 2001.



the environmental advantages arising from the co-benefits create a prospective situation where the benefits of unilateral ratification are superior than the costs. Regardless of the outcome of COP6*bis* the EU could concentrate on the use of the flexible mechanisms in domestic context and furthermore look for co-operations with developing countries<sup>46</sup>.

By thoroughly preparing the arguments at all sides of the negotiation table there is hope that a path forward, in a better direction of the climate change control, can be achieved. Notwithstanding all the negative sides of the Kyoto Protocol it is regarded as an important start to work against climate change and make a signal to the public. Its implementation would be an incentive for further action. Indicators of the science, public and business sectors show that there is hope for a common climate control consciousness. The British Environment Minister Michael Meacher called the failure a “reversible tragedy” and stated that “Every country in the world is a victim of climate change – we all have the same incentive to reach agreement and we will” (Grist Magazine, Dec. 7<sup>th</sup>, 2000, citing Reuters, Nov.27<sup>th</sup>, 2000). This positive intonation has recently been confirmed by the world’s top industrialised nations, the G8 group of countries<sup>47</sup>. After a meeting in early March of 2001 in Trieste, Italy, environmental ministers from this group renewed their promise to push ahead with an international strategy to fight global warming and finalise the Kyoto Protocol which none of them has yet ratified: “We commit ourselves...to strive to reach an agreement on outstanding political issues and to ensure in a cost-effective manner the environmental integrity of the Kyoto Protocol.” (New York Times, March 4<sup>th</sup>, 2001). A particular promising feature of this formal declaration which furthermore puts emphasis on domestic abatement activities is that it has been signed also by the Bush administration’s representative Whitman<sup>48</sup>. Even after

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<sup>46</sup> For a detailed proposal of an EU strategy see Gupta and Grubb, 2000 and Egenhofer and Cornillie, 2001.

<sup>47</sup> This group consists of seven leading industrialised nations (Japan, United States, Canada, Great Britain, France, Germany, Italy) in addition to Russia.

<sup>48</sup> This move indicated that the new U.S. administration initially showed willingness to deal seriously with global warming issues. In fact it seemed as if President Bush wanted to keep the promise which he had given during his election campaign to seek carbon dioxide cuts of power plants (see for example New York Times, March 10<sup>th</sup> and 11<sup>th</sup> 2001). This strategy therefore caused “a pleasant surprise” for environmental activists, as has been expressed by Jennifer Morgan of the WWF (Financial Times, March 4<sup>th</sup>, 2001). Nevertheless, the surprise did not last for long: after protests from industry and even his own party in the middle of March 2001 Bush already went back from his pledge to impose regulations on power plants in order to reduce CO2 emissions. He defended his decision by pointing at the increasing energy prices and thus the potential energy crisis which threatens the country’s economy (see among others New York Times, March 14<sup>th</sup> 2001, Washington Post, March 14<sup>th</sup> 2001, Grist Magazine, March 14<sup>th</sup> 2001, Grist Magazine, March 15<sup>th</sup> 2001). U.S. EPA Administrator Christine Todd Whitman urged the President to recognise global warming as a serious international issue but her

President Bush's declaration against the Kyoto Protocol, she assured that the President was "absolutely committed to full engagement with the international community on global warming" (New York Times, March 30<sup>th</sup>, 2001). Hence the new U.S. administration seems willing to address climate change issues but in a way that is not necessarily connected with the Kyoto Protocol.

It appears that - despite the COP 6's failure - the long-term prospects for climate protection look better. Now the gap between science and politics needs to be bridged. To strengthen the development of the common consciousness it seems to be important to start with every available tool that could help us in combating the problem. This formulation is taken with a special purpose from the businesses' statements after the COP 6 failure: maybe the situation of climate change control depends in a certain way on the expectations that the business has in it and on its possible role as an engine behind climate action. Further, if this appears to be an odd situation regarding environmental concerns, the plan to use a wide range of instruments could be successful in the long run. After the foundations have been laid with this strategy, there is hope that the incentives and spillover effects of the various measures can induce further action to protect the climate. Even more important than the broad use of alternative instruments is the second main focus of a future strategy: the need to be equipped with reliable institutions that can control the process of emission reductions.

It may well be that the final agreement on the protection of climate differs in some way from the present text of the Kyoto Protocol<sup>49</sup>. What matters is whether a substantial long-term approach to respond to the increasing threat of climate change can be found which takes into account the need for a broad strategy and strong institutions.

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voice appeared to not have a lot of weight. One week after Bush's declaration Whitman clarified that the U.S. will not support the Kyoto Protocol "...we have no interest in implementing this treaty" (Washington Post, March 28<sup>th</sup>, 2001). Moreover she indicated that the EU and Japan, who still try to keep the treaty alive, would need to look for a new approach on climate change control if they were interested in an agreement including the U.S.

<sup>49</sup> In particular if the second attempt to reach an agreement fails it would be very likely that the Kyoto Protocol would be renegotiated.

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